

DEFINED CONTRIBUTION RETIREMENT PROGRAM (DCRP)

Elected and Appointed Officials

The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010.

The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

ELIGIBILITY

Individuals eligible for membership in the DCRP include:

- **State or local officials** who are elected or appointed *on or after* July 1, 2007;
- **Employees enrolled in the Public Employees' Retirement System (PERS) or Teachers' Pension and Annuity Fund (TPAF)** *on or after* July 1, 2007, who earn salary in excess of established "maximum compensation" limits;
- **Employees enrolled in the Police and Fireman's Retirement System (PFRS) or State Police Retirement System (SPRS)** *after* May 21, 2010, who earn salary in excess of established "maximum compensation" limits;
- **Employees otherwise eligible to enroll in the PERS or TPAF** *on or after* November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment (\$8,000 in 2013, subject to adjustment in future years) but who earn salary of at least \$5,000 annually; and
- **Employees otherwise eligible to enroll in the PERS or TPAF** *after* May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment (35 hours per week for State employees or 32 hours per week for local government or local education employees) but who earn salary of at least \$5,000 annually.

This fact sheet addresses DCRP membership for elected and appointed officials.

- Employees enrolled in the PERS, TPAF, PFRS, or SPRS should refer to Fact Sheet #79, *DCRP for PERS, TPAF, PFRS, and SPRS Members*.
- Employees eligible for the DCRP because they do not meet the minimum salary or hours for the PERS or TPAF should refer to Fact Sheet #82, *DCRP if Ineligible for the PERS or TPAF*.

State and local officials who are *elected or appointed on or after* July 1, 2007 are eligible for enrollment **only** in the DCRP.

- An **elected official** is any individual who holds a State or local (county, municipal, etc.) elected public office.
- A **State appointee** is any individual appointed by the Governor, including those requiring the advice and consent of the Senate, or pursuant to an appointment by the Governor to serve at the pleasure of the Governor only during his or her term of office.
- A **local appointee** is any individual appointed by the Governor, including those requiring the advice and consent of the Senate; or an individual appointed in a substantially similar manner by the governing body of a local public entity (county, municipality, school board, etc.).

Elected Officials

- An **elected official** who was already enrolled in the PERS *prior to* July 1, 2007 based on an elected office, will remain a PERS member while in that elected office.
- **Newly elected official** will only be enrolled in the DCRP and cannot enroll in the PERS.
- Under N.J.S.A. 43:3C-3 a **retired** member of a State-administered retirement system who is *elected* to public office may **either** continue to receive a retirement benefit from the former employment and would be ineligible for enrollment in the DCRP **or** may suspend the retirement benefit from the former employment and enroll in the DCRP while serving in the elected office (upon termination of the elected office the retirement benefit from the former employment would be reinstated).

Appointed Officials

- A **newly appointed official** who does not have an existing PERS account will only be enrolled in the DCRP and cannot enroll in the PERS.
- An **appointed official** who was already enrolled in the PERS *prior to* July 1, 2007, will remain a PERS member while serving in the appointed position.
- Similarly, a regular employee who was enrolled in the PERS *prior to* July 1, 2007, who is appointed — without a break in membership — to a DCRP eligible position *on or after* July 1, 2007, will remain a PERS member while in the appointed position.
- An **appointed official** serving in a position that is otherwise eligible for membership in the TPAF, PFRS, SPRS, or JRS will not be enrolled in the DCRP. In these instances, application should be made to enroll in the other retirement system regardless of any former retirement system affiliations.
- If a **retired** member of another State-administered retirement system is *appointed* to a DCRP eligible position, the appointee may **either** continue to receive the retirement benefit from the former employment and would be ineligible for enrollment in the DCRP, **or** may suspend the retirement benefit from the former employment and enroll in the DCRP while in the appointed position (upon termination of the appointed position the retirement benefit from the former employment would be reinstated).

Note: *Appointed titles that are ineligible for DCRP participation (see Chapter 92, P.L. 2007): Certified Health Officer, Tax Assessor, Tax Collector, Municipal Planner, Chief Financial Officer, Registered Municipal Clerk, Construction Code Official, Licensed Uniform Subcode Inspector, Qualified Purchasing Agent, or Certified Public Works Manager.*

ENROLLMENT

The employer is responsible for enrolling an eligible elected or appointed official — as of the starting date in the elected or appointed office — by submitting a *DCRP Enrollment Application* to the Division of Pensions and Benefits, or using the online DCRP enrollment system available on the Employer Pensions and Benefits Information Connection (EPIC).

When enrolled, the elected or appointed official contributes 5.5 percent of the base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP with the Division of Pensions and Benefits. Member contributions are matched by a 3 percent employer contribution.

Salary Requirements

A newly elected or appointed official must earn a minimum annual base salary of \$5,000 to be eligible to participate in the DCRP.

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Vesting

If a newly elected or appointed official has an existing DCRP account, or is a member of another State-administered retirement system, the official is immediately vested in the DCRP. As a vested member, you have a right to a benefit at retirement based on both the employee and employer contributions to the DCRP.

If a newly elected or appointed official does not qualify for immediate vesting in the DCRP, the employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully vested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to a forfeiture account for the employing location.

RETIREMENT

Six months before retirement, a member should contact the employer and Prudential Financial for information regarding DCRP benefits and options.

A DCRP member may elect to receive all or a portion of his or her account in a lump-sum distribution, or in a variety of periodic payment methods. Please contact your administrative services provider for more information. **All returns of contributions and earnings are considered taxable in the year they are received;** therefore, the type of payout plan should be considered carefully prior to retirement.

There is no minimum retirement age under the DCRP. The member will automatically be considered retired, regardless of age, if there is any distribution of mandatory contributions.

A member may take a distribution at any time after termination of employment; however, if you return to public employment in New Jersey, you cannot participate in any State-administered retirement system. **DCRP members considering future employment in a position covered by any of the State-administered retirement systems should carefully consider this impact before requesting a distribution.**

Health Benefits at Retirement

It is important to note that service time from enrollment in the DCRP cannot be used to qualify for State Health Benefits Program (SHBP) or School Employees' Health Benefits Program (SEHBP) coverage at retirement.

Please contact your employer's human resources office or benefits administrator to ask about health benefit coverage options available in retirement.

LIFE INSURANCE COVERAGE

While serving in an elected or appointed office, DCRP members are covered by employer-paid life insurance, payable to their designated beneficiaries in the amount of 1½ times the annual base salary on which DCRP contributions were based. This coverage is available without a medical examination to members under age 60. Newly enrolled members 60 years of age or older must undergo a medical examination to qualify.

DCRP members will continue to be insured for up to two years if on an approved leave of absence without pay for personal illness.

Note: The Internal Revenue Service classifies all life insurance coverage over \$50,000 as a fringe benefit subject to taxation. The amount of the life insurance coverage is not taxable, but the premium required to pay for the life insurance coverage is taxable. Members can elect to waive insurance coverage over \$50,000 at any time. For more information on this topic, see Fact Sheet #22, *Waiver of Noncontributory Group Life Insurance over \$50,000*.

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Upon retirement, life insurance under the DCRP reduces to 3/16 of the annual base salary on which DCRP contributions were based.

This life insurance coverage is available in retirement only to:

- Members age 60 or older if the member has completed 10 years of participation in the DCRP;
- Members of any age if the member has completed 25 years of participation in the DCRP.

The member must also have been an active employee in the twelve months immediately preceding the initial receipt of a retirement annuity payment.

Conversion

Other than the retired insurance benefit described above, life insurance coverage under the DCRP ceases 31 days after termination of employment. During the 31-day period following termination of employment, a member may convert existing group life insurance coverage (less any amount of coverage carried over into retirement) into an individual whole life policy, without medical examination. For more information, see Fact Sheet #13, *Conversion of Group Life Insurance*.

LONG-TERM DISABILITY COVERAGE

A member is eligible for employer-paid long-term disability insurance coverage after one year of participation in the DCRP.

The member becomes eligible for the disability benefit after six consecutive months of total disability due to an occupational or nonoccupational condition.

To be considered totally disabled due to sickness or accidental bodily injury, the member must be unable to perform any and every duty pertaining to his/her occupation. The member need not be confined to home, but must be under a doctor's regular care.

If a member is totally disabled, the member is eligible to receive a regular monthly income benefit up to 60 percent of the base salary on which DCRP contributions were based during the 12 months preceding the onset of the disability. While disabled, the member's and the employer's mandatory contributions are automatically credited to the member's retirement account.

The monthly income benefit is offset by any other periodic benefit the member may be receiving, such as Workers' Compensation, short-term disability, or Social Security. Eighteen months after the onset of long-term disability eligibility, the member must be unable to engage in any gainful occupation for which he or she is reasonably suited by education, training, or experience. Total disability is not considered to exist if the member is gainfully employed, incarcerated, or if the disability resulted from an act of war, or was intentionally self-inflicted.

Long-term disability benefits will be paid as long as the member remains disabled or until the member attains age 70. Should the member begin receiving payments under the retirement annuity, these benefits terminate.

This fact sheet has been produced and distributed by:

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